

My name is Bruce Freitag and I'm a small grain and row crop producer from Scranton, North Dakota, which is in the far southwest corner of the state. I'm currently serving as the President of the North Dakota Grain Growers Association. Our association consists of wheat and barley producer of all sizes from across the state of North Dakota.

Congressman Moran, first of all I would like to thank you and your committee for coming to the upper Midwest to listen to our producers concerns about agriculture and more specifically crop insurance.

During the last farm bill debate there were many good ideas that came forward. Congress listened and worked through these ideas and came up with a farm bill that we believe is a well-balanced approach to farm programs. It was always our goal at the North Dakota Grain Growers and the National Association of Wheat Growers to support a bill that had a 3-legged approach. As we learned in Southwest North Dakota last year, the fixed payments provided us with a certain amount of security, even when we produce no crop at all due to a catastrophic disaster. The second leg, a loan rate that is now based more accurately on a percentage of cost of production for each commodity, provides support on the crop we do produce.. The third leg, which is the counter-cyclical payment, assists us when we, or our competitors around the world produce a large crop that drives the prices down.

This farm bill has done a good job in letting us as growers make decisions based on world markets but yet providing us with a certain amount of financial stability to maintain the cheapest, safest and most environmentally friendly food supply in the world. For that, Mr. Chairman, we commend you and your colleagues for bring the last farm bill forward.

We believe a major accomplishment of this legislation was to replace the need for ad hoc market loss assistance payments, with a mechanism for countercyclical payments in times of low market prices. We believe the same approach is needed when addressing natural disasters. Crop insurance should be improved to provide more complete coverage for producers, thereby making emergency disaster legislation unnecessary. We all know how difficult it was to achieve disaster legislation this past year, and our concern is that any future weather related disasters will face the same fiscal climate and resistance to emergency spending. We believe it is now time to address this problem, before we face the next natural disaster.

Crop insurance has been a valuable tool for our producers in North Dakota, with a participation rate of 97% in recent years. Yet, even at these levels of participation there has been a need for supplemental disaster payments because the current crop insurance system is inadequate. Coverage levels that are higher than 75% are impractical to purchase unless you plan on having a disaster. Premium rates for coverage beyond the 75% level in many cases approach the 50% level. In other

words it takes one dollar in premium to buy two dollars worth of additional coverage. This results in a large gap in coverage for producers. Typical crop production margins are narrow and it takes 90 to 95% of an average crop to cover costs. With the most affordable and justifiable coverage levels of the current crop insurance program at the 65 to 70% level, a substantial shortfall occurs whenever there are crop problems. In other words a farmer had better plan on having 5 or 6 good years before having a bad one in order to stay in business.

The North Dakota Grain Growers along with the North Dakota Barley Council have begun this process by starting to do an economic analysis of what it would be like to develop a crop insurance plan that combines crop insurance coverage along with a farm savings account. How would this be done? We believe there are ways to make crop insurance more efficient, and less vulnerable to fraud and misuse than the current program. Certainly these savings could be used to reduce premiums on higher levels of coverage, making for a more complete coverage. This, coupled with a farm savings account, would provide more complete risk management package, and be responsible to both the taxpayer and the producer.

There are several possibilities for finding efficiencies in the crop insurance system, all of which require more economic research to develop. Some current ideas include multi year discounts, no loss discounts, and more affordable premiums for whole farm or enterprise units. A way needs to be found to make the 80-85% levels of coverage more affordable. Multiyear losses which lead to declining APH's also are a problem in some areas and should be corrected to provide producers with adequate coverage. Indexing yields may be a solution for this problem.

The farm savings account could be a tax deferred, government matched account, similar to and IRA, that producers could tap in times of crop failure to fill the 15-20% gap between crop insurance coverage and expected revenue from the crop.

When it comes to making the system more efficient we as growers have to be willing to help in developing this plan. That is why the North Dakota Grain Growers and the North Dakota Barley Council have begun the process of researching these ideas to see if they are actuarially sound and make economic sense.

Mr. Chairman and members of the committee we here at the North Dakota Grain Growers again look forward to working with you in solving this most difficult problem facing American agriculture today.

Once again thank-you for coming to the upper Midwest.